

TOTAL LEADERSHIP: A PREVIOUS ANALYSIS TO APPLY IT FOR A SALES DEPARTMENT MANAGEMENT IN INDUSTRIAL HIGH TECHNOLOGY ENTERPRISES

Gustavo Bermejo, Miguel Palacios, Carlos Rodríguez Monroy, Miguel Angel Peláez

¹ Dpto. de Ingeniería de Organización, Administración de Empresas y Estadística. Escuela Técnica Superior de Ingenieros Industriales de Madrid. Universidad Politécnica de Madrid. c/ José Gutiérrez Abascal, 2. 28006 - Madrid. Gustavo.acome@telefonica.net, mipalacios@etsii.upm.es, crmonroy@etsii.upm.es, mapelaez@etsii.upm.es

Keywords: total leadership, sales manager (SM), KAM, value.

Summary

Paper explores the application of Total Leadership methodology to improve productivity and efficiency of commercial teams, to respond to the changes occurred in Industrial High Technology Market (IHTM). In this environment, sales department has adopted a more strategic role than tactical, so a new approach to manage sales teams is required. The essay does a short review about different models of leadership applied to sales departments in industrial markets. In this scenario, the holistic vision of Total Leadership model allows aligning the individual needs of Sales Manager (SM), salespeople and Key Account Manager (KAM) with the needs of the firm, the structure of the market and the coherency needed in the sales team management style.

1. Introduction

Industrial High Technology Market (IHTM) is one of the main business environments with a high percentage of intangible components content (brand, service, knowledge management, employees, customers...) in our economical system. Among all the intangible elements, the impact of human factor is tremendous in all steps of the “value chain” of these markets. The sales activity is one of the functions which have changed more, especially because it is related with “customer relationship”.

In sales departments of IHTM, the figure of Key Account Manager has placed in the first line of the focus, due to its impact in creating direct value for the firm through managing the customers. But not only creating “direct financial value”, as well as, creating “indirect value” in the sense proposed by Walter and colleagues (2001). The functions and importance of this figure has evolved in parallel with the changes occurred in the role of Sales Manager (SM) who manages the sales teams. For KAM and SM, leadership skills have become more and more relevant; and even actually, they surpass the importance of the traditional technical tasks associated with these figures.

Although all the ideas proposed in this paper can be applied in IHTM, and even in other markets with similar structure and function rules; we have considered interesting to take as real example, the Network Equipment Manufacturer Telecommunication market in Europe.

So, we have begun the essay, analysing the external environment where these firms play, to understand how it could suit the leadership style adopted for sales teams.

The paper continues with a short review about leadership styles found in scientific literature about sales activity. Therefore, we analyse the new roles required for KAM and SM. The essay proposes the approach of “Total Leadership” methodology, of well-known professor Stewart D. Friedman, to develop and improve the work of KAM and SM, as the most appropriate leadership model for IHTM. The target is to improve the productivity of the sales department, applying this methodology.

Finally, the essay analyzes the factors, barriers and consequences to take into account before implementing “Total Leadership” scheme in sales teams.

2. Environment analysis: Characteristics and structure of Network Equipment Manufacturer Telecommunication market in Europe

Before picture the role of sales department players, it is mandatory to describe the structure and conditioners of Network Equipment Manufacturer (NEM) Telecom market in Europe.

This market appears like a relatively well-organized connected systems or network, with the following characteristics:

- It consists of a few important actors, buyers, and sellers who can strongly influence the market. Mainly the main customers of NEM are: operators, public administrations (airports, harbours, governments...), army, utilities (water and electricity companies, mail companies, railway...) and integrators.
- Last years, there has been a concentration process, reducing even more the number of actors, which have been more complex and global, due to a higher pressure in reducing costs, concentration in main cores of each player, more innovations (especially in services) and trying to reduce the “time-to-market” of products and services;
- The traditional European and American suppliers have received the high competition of new entries like Asian manufacturers, especially those ones from China;
- Even, these traditional European and American suppliers have moved their production facilities to Asia (especially China), meanwhile Europe and America offices have become in sales representations (with pre-sales and post-sales functions) of the firms;
- The pressure in prices has produced reduction in margins, especially in hardware products. This has produced that Network Equipment Manufacturers have focused more in services associated with products (installation, maintenance, applications, managed services...), even overlapping the business of their traditional suppliers/partners like installers or integrators;
- There are important dependencies between actors and this implies that those actions, which take place within a specific business relationship, influence and are influenced by actions within other relationships;

- It is rigid market, in the sense it is a difficult to change supplier and/or to get new customers, because it involves a more or less well-organized system of actors, activities, and dependencies.
- It drives to a relationship-oriented approach.
- Activities of the selling (buying) company are thus aimed toward specific customers (suppliers) instead of toward large market segments. The content and function of the specific relationship are emphasized, but especially the relation's function in the larger network will be put in focus very frequently.
- The demands on the marketing or purchasing function's competence, consequently become more complex, and functional, production technical and market-related aspects need to be assessed. In this situation, in a short-term, it is very difficult to change counterpart, and work will instead be directed toward building the relation, learn about the other party, and so on. This would tie in very closely with assessing the value of relationships. Relevant commercial competences should be focused on understanding the industrial network's way of functioning and ability for network-oriented behaviour. For the technical aspects of the transaction, competence in the wider functional aspects of the product/service becomes relevant.

So, the market has forced to change the sales department of the companies involved on it. One of the biggest changes have been that sales department has reduced its staff, concentrating managers (usually Sales Managers) and strategy decisions in the headquarter of NEM. But at the same time, the figure of the sales people has won weight in NEM's subsidiaries locally, especially KAM. Therefore, the sales of services associated with the traditional main product of hardware has become more important, extending and integrating the post-sale functions in sales activity, growing up the revenues by customer. This means that complex internal resources of supplier are put in work, and it requires a coordination and leadership tasks to give response to customer demands. These roles are responsibility of KAM who manages the relationship with customer.

On the other hand, NEM who have not had a traditional penetration, in the sense of setting up subsidiaries in European countries (with the exception of main European markets like France, Germany, UK or Italy); they have left Europe, even the direct commercial presence, opening an opportunity to distributors and integrators who concentrate the sales representation of some of them, in their commercial portfolios. Distribution Channel Managers (DCM) have taken a bigger importance in NEM in order to reduce risks, managing international presence and balancing different types of customers (railways, utilities,...) different than the traditional ones (Telecom operators) in this market.

So, it is clear that KAM and DCM have been the winners in the sales departments but with a new roles and responsibilities.

This analysis could be practically applied in any Industrial High Technology Market in different grades, depending on the life cycle and structure of each market.

3. Organizational analysis: leadership models

Until now, commercial activity has been placed in a tactical role, subordinated to marketing department which took a more strategic role. However, the importance of customer as central

element in firms, as an asset which generates value, has driven to give a more strategic role to sales department. And it is due to sales team is more involved in managing the interaction process with the customer and, as well as, it is the tool and player to approach the marketing strategies toward the customer.

According with Ingram T.N. et al., one of the most important areas for firm success and commercial activity is to implement leadership policies in sales force. The responsible player to do it is the sales manager (SM). The way to implement this leadership is going to suit the job satisfaction, satisfaction with the manager and reduction of job conflict of the whole sales team. Clearly, these factors affect to the relationship with the customer, and in addition, to value creation through cash flow generation, leadership over coordination of internal resources of the firm to satisfy the customer demands, in the way of innovations and cost reductions cutting inefficiencies in internal procedures related with customer services.

The key player to lead this process is the sales manager, with the role of strategy-driven leader, able to have influence in the sales team to achieve ambitious goals, especially in KAM, who manages the customers with theoretically more impact in the value generation for the firm. This role of leadership of SM has surpassed the traditional role of day-to-day supervisor, because too, it has more impact in value generation.

According with Ingram T.N. et al., there are three actual models which match better with sales team management:

- Leader-member Exchange (LMX).
- Transformational leadership.
- Behavioural self-management (BSM)

3.1. LMX model.

This model focuses in the relationship salesperson-sales manager as an influence reciprocal process. More than proposing a leadership general style, this model put the focus in personal relationship face-to-face (SM with each salesperson). So, the model develops the individual approach, with a standard behaviour set to apply to standardized management situations.

In this model, the central element of the relationship is the reciprocal trust between sales manager and each salesperson. This factor is reinforced with the existence of leadership model applied in the organization. In addition, other factors which generate trust would be perceived fairness, sales management familiarity and empower salespeople to take autonomous decisions.

LMX model has the advantage that manages the same principles and concepts (trust, value generation...) that the relationship model between firms and their customers. So, there is an intimacy between value generation through customers and leadership model for sales force.

Anyway, we think LMX model should be completed with other influence level, more related with firm culture, which would represent the reciprocal trust of the salesperson with the organization. This level will represent the influence of environment over salespeople.

3.2. Transformational leadership

This model adopts an holistic approach over the whole aspects of leadership, external and internal factors in the organization, short term and long term, and it develops an style which requires a highly involvement to all sales team.

There are four key attributes of transformational leaders:

- Charisma: sense of mission, vision to achieve the goals and motivation of the team.
- Inspirational leadership: managing symbols, rituals...
- Intellectual stimulation: to face the problems in new ways.
- Individualized consideration: every salesperson receives personal attention and care. This last attribute is direct linked with the previous model of leadership.

Clearly, transformational leadership is associated with a vision of permanent change as the strategy to adapt the firm to the market and environment, as well as, incremental performance as a value to pursue permanently in the organization.

3.3. BSM

BSM is based in a self-imposed philosophy for all the employees, in the whole activities of the organization as planning, evaluation, rewards and punishments.

Focus is in team-selling effectiveness, where the leadership is a task shared in different proportion among the members of the team. The target is to get sales people be self-managed.

Nowadays, especially in high technology markets, the context forces to go in this direction due to:

- Salespeople typically work without constant supervision, because sales managers work only periodically in the field with them cause a lack of time. So, it is extremely difficult to monitor salespersons' behaviours.
- Salespeople put forth incremental implication when they have clear lines which determine work priorities.
- Sales organizations are eliminating layers of management as part of restructuring processes.

4. The Sales Manager role: leadership versus technical tasks

Sales manager chooses the structure and dimension of sales forces, which include distribution channel, salespeople and KAM, which allow winning the majority of the potential and reachable market. This should be balance and align with the strategy of the firm, the structure of the market (environment analysis). Too, there should be a coherency in all the aspects of the sales team management.

To reach the goals of the market, there are some “technical skills” related with sales managers’ functions. They are traditionally: competitive analysis, forecasting, quota setting, developing strategic plans, supervision of sales force, distribution channel structure...

But “conceptual skills” like critical thinking, enhancement of professional intellect, managing diversity, and team building... become more important for successful sales leadership. This is the role that nowadays is more critical for a sales manager: the capacity of doing an effective leadership over the sales team and over the organization.

To satisfy the customer requirements, it is mandatory to lead the organization internally, to put the internal resources on the hands of KAM which manages directly the relationship with customers. Sales Managers should lead this process.

As well as, in our opinion as we explained above, due to the structure of IHTM and the context forces; a leadership style closer to BSM philosophy is required. Total Leadership methodology develops perfectly this model, where sales manager is the change agent to develop the sales team (KAM members) through self-managed approach philosophy. Too, as we develop in the next section, the holistic vision of Total Leadership model allows aligning the individual needs of salespeople and KAM with the needs of the firm, the structure of the market and the coherency needed in the sales team management style.

5. The KAM roles boosted by Total Leadership

So, it is clear that new roles for KAM are demanded in Industrial High Technology Firms.

On the one hand, more efficiency in managing “customer relationship” is required. Especially, it is mandatory to pay attention in those activities that create value which could be translated in financial results. In this sense, Life Time Value (LTV) and Customer Relationship Management (CRM) approaches can help to clarify the way to follow.

Both of them are aligned with Stahl H.K., Matzler K., Hinterhuber H.H. (2003) proposal, about customers have to be treated as assets that increase shareholder value by processes that accelerating (earlier cash flows produce a higher present value of money) and enhancing (increasing revenues and/or reducing costs, working capital and investments) cash flows, reducing cash flow volatility and vulnerability (lower the cost of capital) and increasing the residual value of the firm (through processes).

But to increase shareholder value through customers’ management, KAM should develop “reliable relationships with customers” that give a clear value to them. We can summarize the dimensions of supplier value for a customer in (Kristian Möller and Pekka Törrönen, 2003):

- Efficiency: to profit better the bought resources.
- Effectiveness: ability to invent and produce solutions which provide more value to the market than existing ones.
- Network functions: cover the rest of the aspects of the relationships established in a network.

These dimensions can be divided in two levels related with “leadership in the customer-supplier relationship”: the organizational level and individual level. These ones match with Walter model function value defined for customer value.

In the organizational level, to maximize the profitability of the customer, KAM should lead to its organization to capture the maximum of the value created in the relationship with the customer. To get it, it is mandatory to follow a strong leadership applied to the relationship which is implemented through Total Leadership methodology.

According with Manuel Alvarez, Carlos Casanueva and Ana Moreno (CIO 2009 paper), Total Leadership extends the concept of “customer relationship” to all the “relationships” which occur in the network where the firm is embedded. And this includes all the stakeholders that firm could have with “interest groups” like public administration, regulators, professional associations... This clearly related with the Corporate Social Responsibility policy that customer and supplier could have.

The Total Leadership methodology applied to the organization, propose six steps: related with “be real”, (1) to identify the organization key factors and (2) to define the vision of the organization in the four key areas; related with “be whole” (3) to identify the most important issues with interest groups and (4) to implement Corporate Social Responsibility; and finally related with “be innovative” (5) innovation through network relationships and (6) shared value and growth with the elements of the network.

In the individual level, the creation of value will rely on “trust”, “commitment” and “shared information” of the relationship between customer and supplier to find the common matching arena. And here, the personal characteristics of KAM play the main role as the actor who manages directly this relationship. According with José Muruais Rodríguez and Carlos Rodríguez Monroy (2008), among these personal characteristics, attitudes of KAM are the most valorised aspects by customers. These attitudes are trust, honest, commitment concerning the relationship, integrity, cultural and interpersonal skills, competitiveness, and knowledge about customer’s business (strategy, needs...)

Nowadays, it is not possible to forget that employees have a big influence about the image of the firm in the society and market through their relationships built in different arenas as internet social communities, civil associations, groups of interest,...It seems clear, that it is not easy to dissociate the professional activity from personal life; so a holistic approach which takes not only the professional aspects of the KAM roles, as well as the personal interests and needs of KAM, is required.

In parallel, a coherency between roles of different players of sales team, SM and KAM, should lead the management of commercial activity. And this involves sharing the power to take decisions and the organizational flexibility to attend the needs of a changeable fast environment.

Total Leadership methodology gives a respond to these issues, especially in the individual level of KAM, developing a framework which boosts these attitudes: be real (act with authenticity), be whole (act with integrity) and be innovative (act with creativity). For it, Total Leadership invites to take the four way view by defining the four domains: work (relationship with your own firm and customers), community (extended network), self (developing the own KAM in personal and professional levels) and family.

6. Factors and barriers to implement Total Leadership

Previous experiences done in Universidad Politécnica de Madrid and in the international bank ING Direct, demonstrate that the potential benefits and cost of implement Total Leadership

methodology, gives a positive result of Net Present Value (NPV), according with Miguel Angel Peláez, Carlos Casanueva and Javier Tafur (CIO 2009 paper).

So, these experiences allow anticipating good financial returns to implement Total Leadership in the sales department of Network Equipment Manufacturer (NEM) Telecom industry. It should be done in the two levels (organizational and individual) following the steps proposed in this paper for each one.

But, any implementation of Total Leadership in sales department of any IHTM firm, should be begin with an analysis in deep of internal organizational issues of the firm as the mission, vision and values, culture, style of management, structure, power lines, system of rewards and punishments, skills and attributes of the salespeople and sales manager, goals to achieve and style of leadership before to decide to implant one of them.

Too, it is mandatory to analyse the environment (speed of innovations, players...) to match internal organizational leadership style with the market characteristics and get the maximum value from the customer relationship.

In any case, it is recommended to avoid delays and to reduce costs, to analyze previously the internal (in sales department and in the rest of the firm) and the external barriers (customers, distribution channels...), we can find before implementing it. Among them, we can face cultural barriers (history of the firm, power, style of management, bonus policy...), individual barriers (monetary interest, professional career, credibility...), position in the network, historical relationships with stakeholders, time, physical distance...

References

Álvarez M., Casanueva C., Moreno A. (2009). Aplicación de la Metodología de Total Leadership a organizaciones que lideran redes de trabajo. 3rd Internacional Conference on Industrial Engineering and Industrial Management. XIII Congreso de Ingeniería de Organización (CIO 2009).

Baxter R. (2009). Reflective and formative metrics of relationship value: A commentary essay. Journal of Business Research.

Bermejo G., Palacios M., Casanueva C. (2009). Value in customer-supplier relationship: a framework to understand and measure it. 3rd Internacional Conference on Industrial Engineering and Industrial Management. XIII Congreso de Ingeniería de Organización (CIO 2009).

Friedman Stewart D. (2008). Total Leadership. Harvard Business Press.

Guenzi P., Troilo G. (2007). The joint contribution of marketing and sales to the creation of superior customer value. Journal of Business Research.

Ingram T.N., LaForge R.W., Leigh T.W (2002). Selling in the new millennium. A joint agenda. Industrial Marketing Management.

Jack S.L. (2008). Approaches to studying networks: Implications and outcomes. Journal of Business Venturing.

Möller, K (2006). Role of competences in creating customer value: A value-creation logic approach. Industrial Marketing Management.

Möller K., Törrönen P. (2003). Business suppliers' value creation potential. A capability-based analysis. Industrial Marketing Management.

Muruais Rodríguez J., Rodríguez Monroy C. (2008). Hacia un enfoque de KAM eficaz. Harvard Deusto Business Review.

Peláez M.A. Casanueva C., Tafur J. (2009). Total Leadership in Spain. 3rd Internacional Conference on Industrial Engineering and Industrial Management. XIII Congreso de Ingeniería de Organización (CIO 2009)

Stahl H.K., Matzler K., Hinterhuber H.H. (2003). Linking customer lifetime value with shareholder value. Industrial Marketing Management.

Walter A., Ritter T., Gemünden H. (2001). Value creation in Buyer-Seller relationships. Industrial Marketing Management.